

**TESTIMONY OF THE
ASSOCIATION OF CALIFORNIA WATER AGENCIES**

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Introduction

ACWA, established in 1910, represents local public water agencies—more than 440—across the state of California. Our members are collectively responsible for 90% of the water delivered in California. Our smallest member serves fewer than 50 people and our largest serves over 17 million urban Southern Californians. The services provided by members to California communities, farms, and businesses include, water, wastewater and energy.

Our members are keenly interested in the work of the Commission and applaud the Governor for initiating this comprehensive effort. There has never been a better time to focus on the business of California's government in all areas. We look forward to working together to improve it and, in turn, better serve Californians.

My comments today are preliminary, as we plan to provide more comprehensive, official comments at the conclusion of the hearings. But these remarks provide overall themes that are relevant to today's discussion on infrastructure.

Water is a unique component of our society. It is certainly an important part of our infrastructure, but it is also a renewable resource that is vital to a healthy environment, an essential ingredient to our quality of life and the fuel that supplies the state's economic engine.

Water infrastructure in California is both complicated and contentious. The history of California is replete with examples of bitter and protracted fights over water projects and their effects, both good and bad. Today, the opposition to water infrastructure projects is so well established that lead times from conception to completion are extremely long and successful outcomes are uncertain at best.

Water politics in California have become so polarizing that many political leaders have been advised to stay away from them, since the political risks often outweigh the rewards for those who are tempted to develop solutions. Water is not a partisan issue, but it is a highly regional (some would say parochial) issue wherein a project or proposal that benefits one region of the state is often viewed by one or more other regions of the state as being inherently harmful to their own interests.

There is no central vision or set of principals that guide the political or planning process for meeting California's water needs. This lack of vision has lead directly to a lack of comprehensive planning, because, if there is no perceived social or political imperative to proceed with a water plan, those responsible to develop and implement such a plan are never given the portfolio to carry out their responsibilities. While the public may see the need to assure affordable, high quality water sufficient to meet their needs and may feel frustration over the lack of focused efforts to meet those needs, it is difficult to find the person or persons that can be held accountable for that failure.

Because there is no significant cohesive or comprehensive planning, financing for water infrastructure projects is haphazard and uncertain. Proposition 13, passed in the year 2000, was successful in financing needed water projects. However, success of this proposition was not due to some well conceived state plan, but was instead an outgrowth of the CALFED process—a state, federal and local partnership established in 1994. CALFED itself was the result of a crisis brought on by the state's failure to plan or invest in water infrastructure to reduce the growing conflicts between the environment and the economy. As a result of the near meltdown of the state's two largest water projects, both reliant upon water from the Sacramento-San Joaquin River Delta, CALFED was formed to address those longstanding Delta conflicts.

The CALFED plan is sound, but it is not being implemented on the timetable promised and there remain a number of significant obstacles to its completion. CALFED is an example of what can be accomplished with coordinated, comprehensive planning involving all levels of government. But it is also illustrative of how even good plans can fall victim to a government structure that compartmentalizes responsibilities to such an extent that no agency is responsible for actually accomplishing the full-intended purpose of the plan.

Because of the gridlock at the state level, local water agencies have become, by default, the leaders in meeting the state's water needs. As the state and federal governments have been increasingly unable to plan and implement programs to meet the needs of California, local agencies have stepped up to the plate to plan, build and operate increasingly large and sophisticated systems to meet the needs of their communities. The state should encourage this and help expand this local capability, since many of the state's water needs are regional in nature and can best be met by local agencies. However, some regions of the state are not as able to fully address these problems and the state needs to play a role in assisting those regions. The state also needs to assure greater uniformity among planning and implementation efforts to assure that all Californians receive safe, affordable water supplies. The state also should take a leadership role in planning and implementing those features of our water infrastructure that can only be met through statewide efforts.

Water Community Priorities

ACWA and its members have not undertaken a formal prioritization process to address the problems outlined above, however, there are several steps that can and should be taken to address these problems, all of which have broad support within the water community. Those steps include the following:

- 1) Move forward aggressively with planned infrastructure as quickly as possible. The most prominent example of planned infrastructure, which is currently not moving ahead at the pace promised, is in the CALFED program. In particular, plans to improve conveyance through the Delta for export are well developed, but need the force of the state government working in partnership with state water contractors, as well as the federal project operators and their contractors to bring this project to completion. Additionally, surface storage planning is being hampered by a lack of funding and focus. Groundwater management plans are further along through the efforts of local agencies, but could benefit through a more direct partnership between those local agencies and the state of California.
- 2) The water infrastructure planning process should be updated and streamlined. The processes used by the state Department of Water Resources to estimate present and future demands and supplies are antiquated and the data is inaccurate. Updated information should be used to create a realistic plan to meet statewide needs and that plan should include an implementation schedule that is ambitious but realistic.
- 3) There should be more focus by the Department on assisting local agencies around the state in meeting local and regional needs. Partnerships among regions and between the state and those regions should be encouraged.
- 4) Surface and groundwater planning should be better integrated at the state level. Local agencies currently do a good job of conjunctively using surface and groundwater, but the state of California has not fully developed its capability to assist in these efforts. Ultimately, any successful plan must efficiently integrate surface and groundwater resources.
- 5) The State Water Project (SWP) is one of the largest utilities in the country, but it is currently not run like a utility. The SWP should be reconstituted as a joint powers authority between the state of California and the contractors who are currently receiving water from the project.
- 6) Focused efforts should be applied to receiving additional federal funds for water infrastructure in California. California is a “donor” state, meaning it sends far more tax money to Washington, D.C., than is returned. Current allocation formulae for state revolving funds virtually guarantee that California will continue to send more money than it receives. Because the federal government owns and operates the largest water project in the state, there is clearly a federal interest in improving our water infrastructure.

Therefore, two priorities for the state of California should be to improve federal funding for water infrastructure and to encourage the federal government to play a partnership role in planning infrastructure improvements.

Response to CPR Recommendations

ACWA and its members have not had an opportunity to thoroughly assess the CPR's recommendations regarding water infrastructure; however a preliminary review indicates that many of them align closely with our priorities and would help the state better meet present and future water needs. Specific comments about the key recommendations follow:

1) Improving the state water planning process to make it an effective long-range plan is strongly supported by ACWA and long overdue. Such a plan would improve water supply and quality and improve environmental values for the citizens of California. It would make the planning process more efficient and would result in improved water deliveries. In the long run, this would save state and local governments and—ultimately the taxpayers—money. We do not believe changes in the planning process need to be legislated. Since the planning function rests with state agencies, we believe needed changes can be accomplished through executive and administrative action.

It is not clear to us that integrating the California Water Plan into a state General Plan process would result in greater efficacy of the plan, though clearly the water plan needs to be linked with land use plans, both locally and at the state level.

2) ACWA strongly supports the promotion of regional water planning. California's water needs vary by region and regional planning by local agencies is already well underway. Regional plans would better serve the public, would promote greater efficiencies and would save local and state dollars, since local and regional agencies are closest to the people being served and are best able to ascertain and meet needs. However, the state needs to be a strong financial and planning partner to assure uniformity and equity in the development of these regional plans and to assure that funding is adequate to assist in the implementation of the regional plans. Such involvement would allow direct investment in those facilities and programs necessary to link regional plans together in a way that meets the needs of the state overall. Much of this can be accomplished through executive and administrative action. Decisions about legislation to promote regional water planning should be deferred until executive and administrative options are exhausted.

ACWA strongly supports the reinstitution of the Water Policy Council **if** the Water Policy Council is given a clear mandate to oversee the development and implementation a statewide plan. If this mandate is clearly articulated and supported by the Governor, it will have strong support in the water community.

The report recommends the establishment of the SWP as a separate authority within the Resources Agency. It further recommends the SWP contract with the joint powers authority formed by the State Water Contractors to operate portions of the project. There are four recommendations in all. ACWA supports all of them and will commit to work closely with the state and the State Water Contractors to assure implementation of these recommendations.

3) The report makes two key recommendations regarding distribution of bond funds. ACWA supports the recommendation of consolidating the functions now housed in at least three agencies into one grant-awarding department or division. We believe implementation of these recommendations will result in lower cost administration of bond funds, improved time frames for getting bond funds out the door and more of the bond funds being used for the capital projects for which they were intended.

This process should be implemented with care, since the agencies now administering bond funds have expertise that will be needed in a consolidated bond fund administration process. We support the recommendation that staff from these existing agencies should be loaned in order to transfer that expertise. This staff should be overseen by capable management staff to assure that the intent of the voters is properly carried out.

The report makes three specific recommendations regarding a review of the CALFED Bay-Delta Program. We do not disagree with those recommendations; however, we believe there should be a more comprehensive look at the CALFED Program to determine whether the broad goals of CALFED are being met, not just a project-by-project audit. There should be a determination made as to whether the California Bay-Delta Authority is effectively carrying out the governance functions of CALFED. There also should be a review of the relationship between CALFED and the state implementing agencies to determine if CALFED is effective in its role of coordinating state efforts. Finally, there should be a determination made as to the relationship between the state and federal governments in the partnership known as CALFED.

If these determinations can be made, in conjunction with the review recommended in the report and the development of a long-term financing plan, we will have far greater assurance that Californians will be getting their money's worth from the program and that it will actually serve to resolve the long-standing conflicts in the Sacramento-San Joaquin Delta.

Regarding the administration of state flood control activities, the report has appropriately identified problems in the way the state administers its flood control program. Currently the state cannot even keep current with its obligations for the state share of non-federal flood control project costs. Furthermore, there is not adequate funding by the state for Delta levees or other crucial elements of the state's flood control and water supply infrastructure. This problem could become much worse as the effects of global climate change persist, since flood events may occur more frequently and with greater severity.

ACWA supports the recommendation that the Governor direct DWR to develop a new strategy and financing mechanism to manage the state's responsibility for flood control infrastructure and to carry out the recommendation of the Flood Plan Management Task Force.

ACWA also supports the concept of discouraging development in flood plains. ACWA believes the state should go so far as to consider legislating clearer guidelines for local land use planning agencies to follow with respect to approving developments within flood plains.

ACWA supports the concept of multi-objective flood control projects **provided** that the principle objective of these projects remains the protection of life and property from flooding. No other objective should supersede that primary objective, nor should it interfere with that primary objective.

In conclusion, ACWA commends the Governor for his leadership and vision and the parties who prepared this report for their hard work, creative thought and tenacity. ACWA stands ready with its members to work with the Governor, his administration, the legislature, and other stakeholders in deliberating how best to proceed with these recommendations.